# FROM DREAM TO HOME

## AN A-TO-Z INFORMATIONAL GUIDE FOR PURCHASING A HOME

This guide contains all you need to know, starting from when buying a home is still a thought, up until it's a reality.


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A special thank you to the many industry experts for sharing their knowledge and helping to make this guide happen.

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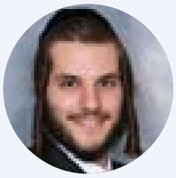

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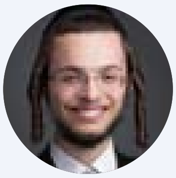

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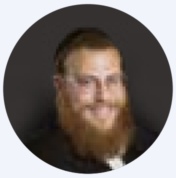

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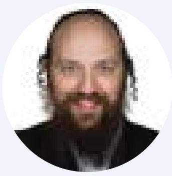

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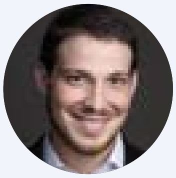

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INTRODUCTION

# Welcome home, buyer!

**If you downloaded this guide, chances are that you're probably looking to purchase a home in the near future. So firstly, I'd like to congratulate you for that!**

Buying a house is a very monumental time in your life, but at the same time, it's also a significant purchase that requires a lot of knowledge. Many people jump into the buying process with lots of excitement, but with minimal knowledge.

Just like everything in life, if you're not informed properly, then mistakes are inevitable. Buying the wrong size shoe is a small mistake which can be easily fixed by returning the shoe. In more extreme cases, you might have to eat the loss of some money. However, when you buy a house, which is a way bigger purchase, the consequences of potential mistakes are bigger as well.

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**That's why this guide was written. To educate you and to empower you with the knowledge you need, so you can be confident and informed with all you need to know about the home buying process.**

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**This guide will educate you on how to:**

- View potential homes
- Settle on your home
- Pair up with a good attorney, real estate agent etc.
- Submit your offer
- Negotiate a deal
- Get approved for a mortgage
- Get the best interest rate
- Improve your credit scores
- And so much more!

This guide goes through the entire process-every step of the way-all the way from I'm thinking of buying a house up until moving day.

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**This guide is full of the latest tips and information. It is brought to you by over 25 industry experts including, real estate agents, mortgage brokers, lawyers, title agencies, home inspectors, movers, and more.**

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The goal is that once you've read this guide, you should be a fully educated consumer that knows what, where and when you're doing, when buying your dream home.

If you have any follow-up questions or comments, you can reach out to any of the contributors. They will all be glad to help make your home buying experience better, smarter and easier.

# Table of Contents

CHAPTER 1

# Getting Ready for the Search

You live in a small, 2 bedroom rental apartment that has seen better days. It was perfect when you moved in 6 years ago, but whichever way you look at it, 2 rooms + 3 kids + 2 adults is an unsolvable math problem. When you first noticed that your apartment was small, you were okay with it. But time is passing, and you're starting to feel more and more cramped and claustrophobic. Your kids are growing up, they need their space, and frankly, so do you.

You start thinking that perhaps it's time to move. However you can't sit back and relax once that preliminary decision has been made. Now comes the BIG QUESTION.

Should I look for a new rental apartment or should I rather buy something? Being that your third option of dive under your covers and go to sleep won't help you much, you're left to muddle your way through this situation.

Thankfully, this guide will help you make your way around this maze by breaking the buying process into do-able steps, so that you can own your home without losing your head.

# Rent or Buy?

The "house" industry is a free marketplace. Not free financially, of course. (Just making sure you know!) It's 100% up to you whether you should rent a home or buy one. Each one has their individual pros and cons. There are some who would be better off buying, while others would be better off renting.

**What are the pros and cons of renting and buying? Once you've read the various pros and cons, you can make a smart decision as to which one is better for you.**

## RENTING A HOME

| Pros | Cons |
|---|---|
| You don't need funds for a down payment | Your landlord may decide to send you out if the apartment is needed |
| It's not your responsibility to repair anything that breaks | Your monthly payments are ongoing and the house won't become yours |
| Your monthly payments may sometimes be cheaper than a mortgage | Your monthly payment may sometimes be more expensive then a mortgage |
| You don't need a good credit and income to qualify for an apartment | Your rental price can (and will) be raised by your landlord |
| | No tax benefits are gained from renting an apartment |

If you're definitely planning on renting an apartment, you can close this book-it's not for you. (Unless you want to come off as a know-it-all by your next family simcha.)

If you've already decided to go ahead and buy a home, then you're in the right place. We'll be going through all the steps you need to take, and the things you need to know, in order to make your dream home a dream come true.

## BUYING A MORTGAGED HOUSE

### Pros

- There's an inherent stability of owning and living in your own house. No one can evict you, or ask you to move from your home
- Your monthly mortgage payments may sometimes be cheaper than rental prices
- Part of the monthly mortgage payment is going towards the principal of the loan and you're building equity in your house
- Your mortgage will eventually be paid up and you will own your home completely
- As the value of your house increases, you will have the opportunity to refinance your mortgage and cash out money
- Your monthly payments are never raised (unless property taxes go up)
- By paying your monthly mortgage payments on time, your credit score will improve
- You may have many tax benefits that come along with owning a house (Speak to your accountant for more details)

### Cons

- It's your responsibility to repair anything that breaks
- Your monthly mortgage payments may sometimes be more expensive than rental prices
- You will need to put a down payment of thousands and thousands of dollars
- You need good credit and income to qualify for a mortgage

## Know What You're Looking For

Before you start searching for a home, it is very important to first know what you're looking for.

Buying a house is generally a once in a lifetime decision that can be hard to make. In order to make your search easier and more effective, it's worth sitting down with your spouse and pin pointing exactly what it is that you're looking for, so you can be laser focused and not waste your time unnecessarily.

This includes sitting down with your father-in-law if he is the one financing the house. After all, to loosely translate a famous Yiddish quote:

> **He who has money will offer his advice.**

And many a time, this may mean sitting down with your mother-in-law too. (Where's my coffee when I need it?!)

## Decide on a Neighborhood

You may choose to live in a bustling city, an up-and-coming town or a quiet suburb. Each area has its own advantages and disadvantages.

A city is constantly busy, hustling, noisy and usually more expensive to live in. On the other hand, you have easy access to stores, doctors and other conveniences. Even more than the convenience that comes with city life, many people simply enjoy the action!

In a suburban or countryside area, the lifestyle is more slower paced and relaxing, and the prices of homes are generally lower than those of the city.

## You will need to look out for a number of things in a neighborhood before you can settle on a house:

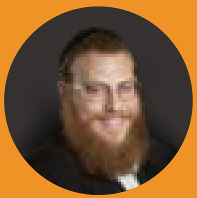
**SCHOOLS -** Is this school a good fit for your child, and does it align with your values?

**JOBS -** Are there options that are physically and financially viable for you?

**SHULS -** Will you find a shul with a Rav that has qualities that are important to you?

**SHOPPING -** Are there local shops for you to purchase from, or are you ok with traveling?

**COST OF LIFE -** Are the people on your standards, or will you feel it a pressure to conform to theirs? Are shops in that area on the expensive side, or of average pricing?



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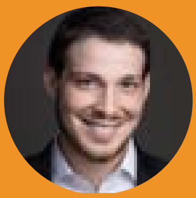
**Steps to take to properly feel out if a neighborhood is right for you:**

- Get an agent who's well-versed in that neighborhood.
- Speak to people that live in that neighborhood.
- Take a drive around to see the types of homes and families that live in that neighborhood.



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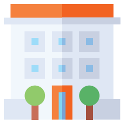
Even once you decide on a city or town to live, let's say, Lakewood, N.J. or Brooklyn, N.Y., you will have to decide which neighborhood you want to live in.

**Think:** Closer to the Yeshiva or not, Closer to Shomer Shabbos shul or not, etcetera. When you're starting out your search for your home, a beginner step is to be closely familiar with the differences of each neighborhood, so you can properly assess the various options as they come up in your search.

# Decide On a Type of Home

Homes don't come with a one-size-fits-all label. You will always have different options in every neighborhood. Some examples are:

**Private Home**

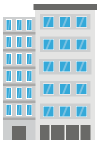


**Flat**

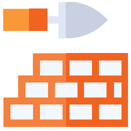
**Town House**

**Ranch**

**Duplex**



**Condo**



**New Construction**

Take the time to familiarize yourself with the different options that are available and decide what you want, and more importantly, what you can afford. (This will be discussed further in the book.)

It's highly recommended to reach out to an experienced real estate agent that will help you navigate the different options and help you choose the house that will work best for you.

The million dollar question (almost literally!) is:

> **How do I know what I can afford?**

# Getting a Mortgage Pre-approval

If you're buying a house, you will most likely finance it through a mortgage loan.

**A pre-approval letter is a letter from a mortgage broker or a bank that states that based on your credit and finances, you're eligible to get approved for a mortgage that is up to X amount.**

Having this letter will allow you to confidently submit an offer for a house that you are interested in.

Many sellers will require a pre-approval letter or proof of funds before allowing you to submit an offer for a house. It's highly recommended to talk to a mortgage broker and figure out what the max that you can borrow from a bank is and what your down payment will be. You'll clearly know what you can afford, how much you can bid for, and what amount is out of your budget.

When getting a pre-approval letter, the mortgage broker will go through your finances, collect your documents, check your credit score, determine your eligibility and will provide you with a powerful letter that states that you're pre-approved for a mortgage for X amount.

CHAPTER 2

# Starting the Search

Now you know exactly what kind of neighborhood you're looking for. You know what type of house you're looking for. You understand (and hopefully accept) your budget. And finally, you have a pre-approval letter from your mortgage broker.

Now you're ready to get in the grind and start your search. It is highly recommended to find the right real estate agent to help you, if you have not done so up until this point. (No, I don't mean at this point in reading the book. I mean this point in real life!)

# What is a Real Estate Agent?

A real estate agent is someone that will represent you and assist you in finding the right home for you. They know the market well. They have access to all the listings and will be able to guide you through the entire process of buying a home.

Keep in mind that there are two types of real estate agents.
There is **the seller's agent** and then there is **the buyer's agent.**

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**The seller's agent is the real estate agent that is representing the seller of the house, and the buyer's agent is the real estate agent that is representing the buyer- that means you!**

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Naturally, the seller's agent will have the seller's best interest in mind and the buyer's agent will have the buyer's best interests in mind. However, please note that both the buyer's agent and the seller's agent are usually paid for by the seller and they are paid a percentage of the sale. A person works for the guy that pays them. That means that you need to be extra careful as to who you choose as your buyer's agent.

Choose an agent that will really, honestly, truthfully represent you and that will have your best interests in mind.

Sometimes, the buyer's agent and the seller's agent will be the same person. Legally, an agent is required to disclose if they are working as a dual agent.

## HOW TO PICK THE RIGHT REAL ESTATE AGENT FOR YOU!

Choosing a Real Estate Agent can be a daunting task! Here are some characteristics to look out for when you are trying to find an agent who is the perfect fit for you!

### 01 LOCAL KNOWLEDGE

**You want to have a Real Estate Agent who knows the area well and is following the latest market trends.** By doing so, they won't be afraid to ask difficult questions and will make sure to keep transactions realistic. They will also fight to get the best deal for you and do so by researching facts and data rather than emotions.

### 02 EXPERIENCE

**It is no surprise that you want to work with someone who knows about the market but you also want someone who can handle any conflict that may arise.** You want to have an agent who can keep the flow of the deal moving and someone who is aware of what is happening at every step of the process. You want someone who can handle any situation from start to finish!

### 03 HONESTY

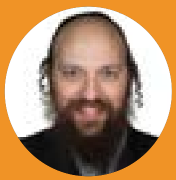
**It is easy to get wrapped up in the excitement of buying/selling a home so it can be important to work with an agent who is honest and realistic.** Working with someone who is honest will ensure the safety of your future and investments. Its is important that an agent be upfront with you rather than tell you what you want to hear.

## 04 LOYALTY

**Finding a loyal bond with one agent you like and trust will bring about better results than jumping from one agent to the next.** If you have mutual loyalty with one another you will see results and get that specialized care. The agent can also help you focus on your future investments and help you in the long term.

## 05 A PEOPLES PERSON

**When hiring a real estate agent, you want to go with someone who can connect with the opposite party and agent.** They should be able to put the deal together and bring it to you, all while forming a connection with each individual.



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# Viewing Homes

Most homes on the market will be able to be viewed before you place an offer in order. That's so you can properly check out the house to see if you like it. If you work with a buyer's agent, then the agent will set up a time for you. If not, you can contact the seller's agent directly to set up a time for a showing.

Some houses are **"buy-as-is"** and will not allow you to see the house before you purchase it. These houses are usually intended for investors. Individuals that are buying a house that they are planning to live in, should never buy a house without being able to see it. You wouldn't consider buying a tomato without feeling that it's ripe, all the more so if it's a house you will own and live in.

Some sellers schedule a designated time when they allow buyers to come see the house. This is usually done on a Sunday or over the weekend and all potential buyers come at the same time. This is commonly referred to as an open house.

**It's important to note that when you go for a home showing, you should focus mostly on the house's layout and the overall condition.**

The color of the paint or the style of cabinets or flooring will usually be cheap and easy to replace. Those things will probably not be what will **"make it or break it"** when you close the deal.

Even checking if the outlets work, looking for leaks, or any other structural issues will happen later when a home inspector comes by. (This is discussed in detail further in the guide.) Right now, you're looking at the base parts of the home, which are the things that are hard or impossible to change (unless you gut or throw down the house completely).

In a model home, you can see the layout and get an idea of how your house will look. In most cases, the developer will give you the plans on paper so you can review it before you sign the contract, but you will not see the actual house.

- **It's best to view a house during daytime hours. You get a chance to see the inside and outside of the house property.**
- **If the owner is home, be pleasant and don't say anything negative or overly positive about the house.**
- **Look past clutter-it doesn't come with the house.**
- **While in a house, never discuss with your agent how much you will offer because they might be listening, or they may have listening devices.**
- **Thank the seller when you leave.**

# You Like the House.
# What's the Next Step?

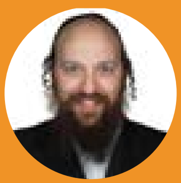
Not so fast. Don't expect to like the first house you see. Chaim Blau, who has been a real estate agent for 3 years, explains that people should not get frustrated if they went to ten houses and are still not happy with a single one. It's completely normal!

People should view the homebuying experience as if they're looking for a shidduch. It can take time and effort to find the right one. You may encounter roadblocks and dead ends along the way. But once you find it, you'll know that this is the right one.

## When Searching for a House, There are 4 Things that People Look at:

- Location
- Condition
- Size
- Price

You usually can't have all 4. You have to pick what you're willing to give up. If price is what matter to you, you might have to look away from location. If location matters to you, you may have to look away from size etc.



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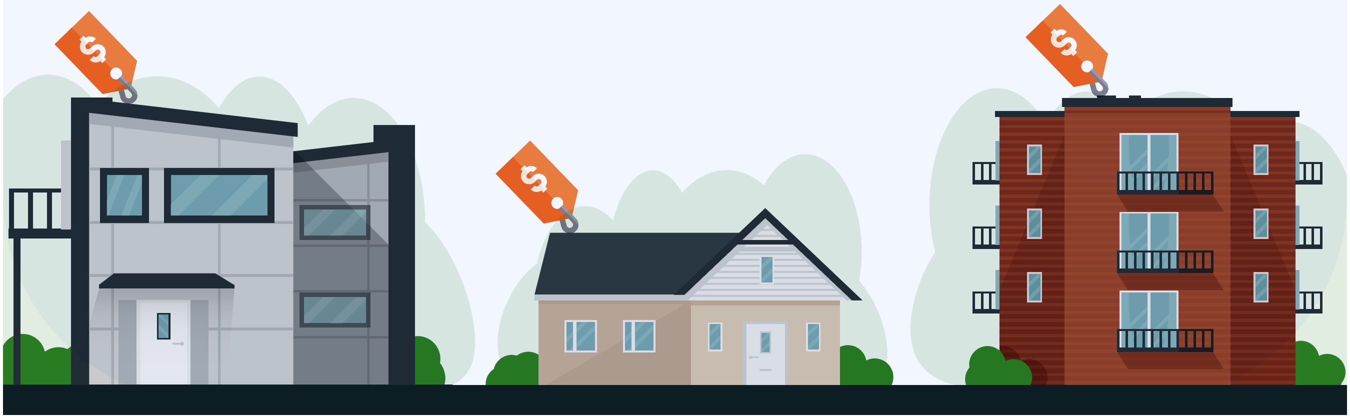
# The Sea Has Split! You Found the Right House!

Now it's time to put in an offer and hope that your offer will be accepted.

## How Much Should I Offer?

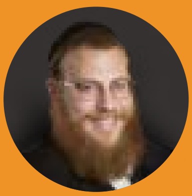
Every house on the market has an asking price. The asking price is the amount the seller wants to get for the house. It’s based on the market value. How does one figure out the market value?

The seller (or their real estate agent) will look at similar houses in the area and according to what the houses are selling for, they will determine a price.



Many buyers mistakenly assume that the asking price is based on how much the seller needs, in order to cover his new home.

***That is simply not true.***



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You may be happy with the asking price and be ready to offer the full amount, or you may want to offer less than the asking price and hope the seller will accept your offer.

If you're working with a buyer's agent who has experience in the market, they will help you feel out if you should offer less than the asking price. They'll also let you know if they feel you may lose the deal by coming in with a lower offer. They will also assist you with negotiating the best deal.

But, as explained above, you need to be careful with whom you choose for a real estate agent, because at the end of the day, real estate agents are paid a percentage of the final sale price. That means that if you get a better deal, the real estate agent will lose money, as their commission will be less.

**Sellers, together with their realtor, will review all the offers that they've received and they will accept the best offer. It's important to note that the best offer is not always the highest offer. Efraim Feder from Imperial Real Estate points out that sometimes, a buyer offering a cash or faster closing may be accepted quicker, even if they are offering less money than another potential buyer.**

Sometimes the seller will appreciate a buyer that is more flexible with the moving date. They may also accept someone quicker if they offer them a rent-back, which will allow the seller to stay in the house past closing and rent the house from the buyer until the seller is able to move. All this can add value to your offer so if any of the above points work for you, make sure to include it when sending in an offer.

## How Do I Submit an Offer?

An offer is usually placed in writing by a real estate broker on an offer sheet. The offer sheet has the buyer's name, address, the price they want to pay, down payment amount, loan amount etc. It's recommended to send along your pre-approval letter of proof of funds with the offer sheet.

You can technically send in an offer without an offer-to-purchase letter (LOI) or contract. However, I usually recommend my clients to rather send in an offer with an official LOI letter as the seller will take you more seriously and it will make the entire process faster and smoother.

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## Bingo! Your offer's been accepted! Now it's time to sign contract.

CHAPTER 3

# Signing a Contract

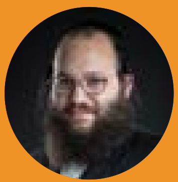
Congratulations! You found the right house, you put in an offer and your offer's been accepted. Now comes the next big step-signing a contract.

A contract is where the buyer and seller write what the terms are, what's included in the sale and what's not included in the sale. You and the seller can negotiate the details of the contract, as to what should and/or should not be included.

**In NJ, it's a 14 page contract. Most of the pages are not that important. The first 2 pages are the most important. That's where the names, addresses, and details are listed.**

Details include the buyers and sellers legal names, the block and lot number, the price, the amount of mortgage, the amount of down payment, the amount of deposit, when each payment is due, when closing will be, etc.

The rest of the content includes information such as if there's a well on the property, if there are tenants, when the house was built, etc.



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# Attorney Review

**In NJ, once the contract is signed by both parties, you have three days to show it to an attorney and to make any changes. This is called Attorney Review. (In any case, most contracts will also give you that same window.)**

During the Attorney Review, the attorney will negotiate on your behalf for any additional contingency he may feel is important to include in the contract. It's important to seek out a good attorney that will be able to negotiate better terms for you and make sure you're properly protected.

Once the Attorney Review is complete, you will be required to give the seller a deposit and the contract becomes binding. What that means is that if you back out from the deal, or if you end up not being able to close, then you will lose your deposit.

It's important to note that most contracts come along with a mortgage contingency which means that if you can't get approved for a mortgage then you are able to back out of the deal without any penalties or without losing the deposit. This is a very important contingency because it happens in the nicest families that you can't close or that you need to push off the closing due to the fact that you can't get approved for a mortgage. In such a case, a mortgage contingency will save the day as you won't lose your deposit.

Q: **What happens if a buyer can't close on a house on time, due to his mortgage being delayed etc?**

A: That is dealt with during the creation of the contract, or during the attorney review in the addendum to the contract, where language would be added to cover such a scenario. Usually, as long as the seller and his attorney see that the buyer is making his best effort to get it done, they will work with them

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## How Do I Find a Good Attorney?

Being that you're not a savvy investor and this is the first time you're purchasing a home, it will be important for you to have an attorney that will be available to answer your phone calls and your questions. Ask your family and friends for recommendations, or if you're working with a realtor, then they might be able to recommend  a good attorney.

The attorney will take care of all negotiations on your behalf from the moment you sign the contract until after the closing, making sure everything runs smoothly. A good attorney can make all the difference, and be the cause of a deal pulling through or falling apart.

# How Much Does an Attorney Cost?

The price for an attorney can vary between different attorneys and deals. Fees are different depending if the attorney is representing the seller, buyer, if it's a cash deal, if there is a mortgage involved, if there are tenants, if the seller plans on staying in the home etc. Some attorneys tell the client from the get-go that the fee will depend on the amount of time spent on the deal. The average fees range between $1,200 - $1,600.

Attorneys usually do not charge or get paid unless the deal actually closes.

## CONTINGENCY CLAUSES IN RESIDENTIAL REAL ESTATE PURCHASE CONTRACTS

**When entering into a contract to buy real estate, a buyer may want to insert certain contingencies that give them the right to back out of the contract in the event that such contingencies are not met.**

**A few common contingencies when purchasing residential real estate:**

01

### FINANCING/MORTGAGE CONTINGENCY

**A financing contingency (also called a "mortgage contingency") gives the buyer time to apply for and obtain financing for the purchase of the property.**

This provides important protection for the buyer, who can then back out of the contract and recover their deposit money in the event they are unable to secure financing from a lender. A financing contingency will ordinarily spell out a particular time period in which the buyer is to obtain financing, as well as the type and amount of loan (often, as a percentage of the purchase price) that the buyer will attempt to obtain.

The buyer has until a certain date to terminate the contract (or otherwise request an extension from the seller). Otherwise, the buyer will automatically waive this contingency and will then be obligated to purchase the property without receiving financing.

02

## INSPECTION CONTINGENCY

**An inspection or due diligence contingency gives the buyer the right to inspect the property within a specific time period (e.g., 10 days from the contract date).**

The buyer should retain a professional inspector/engineer to inspect property (such as condition of the electrical, plumbing, heating, air conditioning, ventilation, roof, structure, etc.) and issue a written inspection report.

This contingency protects the buyer, who may cancel the contract or otherwise negotiate the price of repairs based on the findings in the inspection report.

**Subject to the terms of the inspection contingency in the contract of sale, the buyer will have certain options:**

- Approve the findings of the report, and the transaction continues.
- Disapprove the findings of the report, back out of the deal, and have the deposit returned.
- Request additional time for further inspections
- Request that seller make the necessary repairs pre-closing or issue a concession (price reduction) in the amount of the repairs.

03

## APPRAISAL CONTINGENCY

**An appraisal contingency is used to make certain that a property is valued at a minimum, specified amount. If the property does not appraise for that price, the contract may be terminated and the deposit refunded to the buyer.**

An appraisal contingency may enable the buyer to move ahead with the purchase even if the appraisal falls below the specified. When this happens, the seller will have the option of lowering the purchase price to the appraisal amount.

The contingency specifies a date upon or before which the buyer must inform the seller of any appraisal issues. If the buyer fails to do so, the contingency is considered satisfied, and the buyer must proceed with the transaction.

04

## HOUSE SALE CONTINGENCY

**Sometimes, a buyer is also selling another property and cannot buy property #2 without the sale of (and money from) property #1.**

A house sale contingency offers the buyer a specific time period in which to sell an existing home in order to finance the new purchase. This contingency will protect the buyer because if the existing home doesn't sell (at least for a certain asking price) within such time period, the buyer is able to cancel the purchase contract.

Many sellers are wary of buyers who need to sell another property in order to make a purchase.  A house sale contingency takes the seller's property off the market for a period of time and, if the buyer is unable to sell their house and cancels the contract, the seller will have lost valuable time (and perhaps, additional offers).

To protect themselves, sellers may add language to the contract that they may continue marketing the property while under contract with the buyer and, if another buyer appears, the seller offers the current buyer a specific time period to delete the house sale contingency and move forward with the contract.

**If the buyer doesn't agree, the seller may then back out of the contract and sell to the new buyer. This is called a Kick-Out Clause.**

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CHAPTER 4

# The Home Inspection

The day you move into your house will be one of the most exciting days in your life. (Hopefully!) You don't want to ruin the excitement by discovering that you've got to take a cold shower because the hot water tank is not working. (Camp memories, anyone?) Or you may find out that the roof drips water here and there. Or not so here and there... (Grab the pails! More, more!) Or, even worse, you may learn that your foundation is cracked or that your floor is infested with termites. (Friendly neighbors, eh?)

All these things can- and do- really happen IF they are not checked for. This is where a home inspection comes into the picture.

### What Will be Checked in a Home Inspection?

**All systems in the house:**

- The Foundations
- The Roof
- The Structure
- The Plumbing System
- The Electrical System
- The Heating
- A/C
- Bathrooms
- Fixtures
- Things that need to be tested
- Possible Leaks, etc.

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# What is a Home Inspection?

By a home inspection, a licensed home inspector will come down to your house and check every little detail in the house. This includes everything, from the foundation to the roof, the HVAC system, the boiler wiring, and every single outlet in the house. At the end of the inspection you will get a full and detailed report on all issues found, be it a major structure issue or a minor issue, like a broken fixture.

**Once you have the report, it should be shown to your attorney and the attorney will negotiate on your behalf to either: get the seller to fix the problems, or to deduct money from the sale. If the issues are extreme, or if the seller refuses to accommodate your request, then you have the right to back out and terminate the contract.**

This can only be done if your contract included an inspection contingency.

**Q: What if an issue is not found during the home inspection, but is discovered after closing? Can the buyer hold the home inspector accountable for the loss?**

**A:** This is what keeps us up at night! They can hold us accountable. We all carry error and omissions insurance to protect ourselves, but we still try to avoid such things. Many inspectors limit themselves to the inspection cost, meaning the buyer can only claim as much as he paid. We also carry an insurance policy if and when we damage things. I was in an attic recently, taking pictures, and my foot went through the wooden paneled ceiling. I was liable for the damage, which is why we have insurance.

SUPREME

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## How Much Does a Home Inspection Cost?

The fee for a home inspection will usually range from $400-$500.

**Q: Can you share an interesting episode that you encountered while doing an inspection?**

A: I once did an inspection on a decent home. I was almost finished. The last room to inspect was a bathroom in the basement. As I bent down to check under the vanity cabinet...
Bingo! The wall was eaten up by termites in that particular area, which was not visible anywhere else in the house.

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CHAPTER 5

# Getting A Mortgage

Most people don't buy a house with a suitcase of cash. (If you know of any such people, I'm looking for a friend.) Rather, they go to a bank and borrow the money to buy the home. This is called a mortgage. A mortgage is a loan from a bank to buy a house.

In this chapter, we will go through some basic details that you need to know about mortgages. You cannot necessarily become a mortgage broker after reading the chapter, but my goal is to educate you so you know a thing or two about mortgages, so that you can protect yourself from being a victim of misinformation.

# THE MORTGAGE PROCESS

1. **Initial Conversation** to discuss what the end goal is (i.e. what loan you're looking for).

2. **Collect Documents & Complete Application**

3. **Pull Credit & Run Finding**
Findings is an automated system by Fannie Mae & Freddie Mac, which makes sure this file is approved by them.

4. **Submit the File to the Bank**

5. **Order an Appraisal** (to make sure the value of the house is accurate).

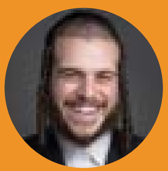
6. **Order Title** to make sure the seller is the real property owner.

7. **Order Property Insurance** to make sure the property is insured.

8. **The Bank will come back with a Conditional Approval**
They'll want to see the appraisal, title, etc. They might ask for more documents; income, assets, credit, etc.

9. **Lock the Rate**
You can lock in the rate at any time before, but now it needs to actually be locked.

10. Once all questions are answered & all documents are provided, congratulations!
**It's Time for Closing**

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## Should I Use a Mortgage Broker?

When applying for a mortgage, you can do it either by going directly to your local bank or by using a mortgage broker. Often, you can find better rates by shopping directly at a bank. But if someone has a shaky file, and knows that their income, assets or credit is not the best, then going directly to the bank is not ideal. They may end up being denied and then losing their deal. (For those that are asking: No, saying "I'll be a good boy/girl" won't help. Maybe your parents fell for it, but the banks won't.) However, if you use a mortgage broker, then the broker will go through your file and see the facts.

**Brokers usually have a relationship with many banks and based on their knowledge, they will know which bank to apply at, in order to get an approval.**

Many people find that having a mortgage broker is more convenient and easier, as they will help and guide them through the process.
This is especially convenient if it is someone's first time buying a house as they will have many questions.
You're most likely not going to get that first class service from a banker.

## How Much do Mortgage Brokers Charge?

Mortgage brokers do not charge for their service. I know what you're thinking-that's impossible! There must be a catch! Are they here just as a gemach? No! Mortgage brokers do get paid. (See, I KNEW there was a catch!) They get paid by the bank.

**Mortgage brokers earn a loan origination fee of about 2% - 2.75% of the loan amount.**

The origination fee will depend on how high of an interest rate the mortgage broker quotes you for. (This is capped at 3%). When choosing a mortgage broker, it's important to remember that not all brokers will offer you the same rate. Therefore, it's important for you to shop around and see who will offer you the best deal.

When rate shopping, it's important for you to compare apples to apples. Make sure the rate lock period is the same amount of days - 15 days, 30 days, 45 days, 60 days, as it all make a difference in the rate.

Also, make sure there are no points or fees to be paid in order to reach the rate quoted. Be careful that the rate should be based on your credit score. Also, always shop rates the same day, as rates can change from day to day, or even by the hour.

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## When Should I First Speak to a Mortgage Broker?

It's recommended to contact a mortgage broker as soon as any thoughts regarding purchasing a home come to your mind. What happens is like this: the broker asks you a bunch of questions about your income, how much assets you have, your monthly obligations (credit card payments, loans, auto loans etc). He or she makes sure your credit is in good shape. Once the broker is comfortable with all this information, the broker will issue a preapproval letter. It's a powerful letter. That's what you take to the realtor. (As discussed in Chapter 1 and Chapter 2.)

Another benefit of talking to a mortgage broker earlier on, is in regards to credit repair. If you don't have credit or if your credit is in bad shape, then addressing the problem early will work in your favor, as you'll have time to get your credit back in shape, on time.

## Will Rate Shopping Affect My Credit Score?

We mentioned above that it's recommended to go rate shopping between different mortgage brokers or banks, in order to ensure that you're really getting the best deal on the interest rate. The potential issue of rate shopping is that every time you want a mortgage broker to quote you on a rate, the mortgage broker will want to pull your credit score, among other things, in order to quote the rate accurately. Consumers often get scared away as they know that multiple inquiries can affect their credit score, and they don't want that to happen now- when it's important to have a good credit.

**Fico, the company who created the scoring model used for mortgages, understood this problem. Therefore, they created a 14-day inquiry waiver.**

All pulls/inquiries that come in within a span of 14 days, and are for the same type of loan (i.e. home mortgage), are considered one inquiry. This will waive the negative effect that generally occurs when many inquiries are made.

Therefore, you need to time the rate shopping so that it should be completed within 14 days, so the additional inquiries do not affect your credit score. It's important to note that many mortgage brokers nowadays have the capability of doing a soft pull on your credit report in order to provide a preapproval and rate quote. Soft credit pulls do not affect your credit in any way.

## Different Type of Mortgages to Know About

The term mortgage is sort of like a family surname. It is not the name of a specific loan. There are many different loans within the mortgage family. Listed below are some of them, with their individual benefits.

**30 YEAR**
**Mortgage**

Conventional
Mortgage Loan

**Conventional loans are loans whose guidelines are set by Fannie Mae and Freddie Mac. A 30-year mortgage is the most popular mortgage loan.** It's a mortgage loan that the repayment is spread over the next 30 years, with a locked rate that will stay the same for the full 30 years. It doesn't matter if the market rate goes up or down. (Lock the door, throw the key away.)

**15 YEAR**
**Mortgage**

Conventional
Mortgage Loan

**A 15-year mortgage loan is similar to a 30-year mortgage loan.** The difference is that with a 15-year loan, the repayment will be spread out to 15 years instead of 30 years. The monthly payments will be higher, as you're making larger payments in order to pay back the loan faster. 15-year mortgages usually have cheaper interest rates than the 30 year mortgages.

**ADJUSTABLE**
**Rate Mortgage**

(ARM)

**An ARM loan is a mortgage in which the rate is only locked for a period of time, and not for the lifetime of the loan.** An ARM loan will usually have a cheaper interest rate, but you're taking a risk because after the lock expires, your interest rate can significantly increase. ARM loans can work well for someone that knows that he/she will refinance their loan within the next few years, or sell the property. ARM loans are complex, so talk to your mortgage broker to see if it's something that will work for you.

**NON -**
**CONVENTIONAL**

Loans

**Non-conventional loans are different loan programs that have lower requirements than conventional loans.** You can be eligible for a non-conventional loan even if you have a lower credit score and less income. However, non-conventional loans will have a higher interest rate than conventional loans. Non-conventional programs include FHA, VA, USDA, and some others.

**NO DOC**
**OR HARD MONEY**

Loans

**No doc or hard money loans are loans that are based on the property collateral or rental income. It's not based on your personal income.** They also come along with much less requirements than conventional loans, and even non-conventional loans. But with a no doc or hard money loan, you can expect to pay very high interest. These loans are mostly only used as short term loans for people that plan to flip the property or immediately refinance to a conventional mortgage.

**In order to get approved for a mortgage, you need to have the following:**

1. Sufficient Income

2. Sufficient Funds

3. Sufficient Credit

# What Do I Need in Order to Get Approved For a Mortgage?

## 1. Sufficient Income

In order to get approved for a mortgage, your expenses cannot be higher than 45% of your income. This is called your debt-to-income ratio.

You need to calculate all your expenses and make sure they don't total more than 45% of your income. (I can hear some of you snort!)

For example, if your income is $100,000 per year, then your expenses cannot be higher than $45,000 for the year.

## Your expenses include the following and some additional ones as well:

- **Rent or Mortgage Payment**
  If you're buying a primary residence, then your future mortgage payment will be the mortgage payment the bank will look at.
- **Auto Loan or Car Lease**
- **Minimum Payments on Credit Cards**
- **Student Loans**

## Income can include the following:

- **W2 Wage Earner**
  you will need pay stubs from the last one or two months.
- **Self-employed**
  your income will be an average, based on the last two years.
- **Rental Income**
  you will need the rental income to show on your tax return.
- **Rental Income for a New Investment Property**
  the rental income will go based on appraisal.
- **Parsonage**
  You will need to provide 12 months of cleared checks.
- **Support**
  you will need the support to show on your tax return.
- **Work Bonuses**
- **Pension**
- **Social Security Income**
- **Capital Investments, Dividends**
  if you have them for several years.

The first time you talk to a mortgage broker, they will usually check your income and calculate your total expenses to figure out if your income and expenses are in the right ratio. If your income is good, then great! You can check off that part of your list. **But what if your income falls short of the 45/55% ratio?**

Then you have the following options:

**Get a Co-signer**

**Increase Your Income**

**Lower Your Expenses**

**Q: Is there any minimum history of work you need in order to qualify?**

A: Yes, in order for your income to be accepted by the bank, you need 2 years of income history in the working field. An exception is someone who is a legal college student and just started working at a job, he can use the income after already 1 or 2 months, depending on the situation. (Even a contract of the job may be enough, depending on the situation).

**Q: I recently got a raise at my job, will the bank consider it as qualifying income?**

A: Raises are acceptable with an explanation, even with a very short history. If it's a big jump from before the raise, the bank might want more history, 3-6 months.

- A big jump is considered differently per job.
  Usually under 30-40% of an increase is not high.
- Enough time to establish stability would be 3 months,
  in some cases 4-6 months.

So if you got a raise or are expecting one before you close on your mortgage, then you can count on the bank counting it as your new income, depending on the amount and time we've mentioned. Always deposit your monthly salary checks into your account! (Even avoid going to check cashing, so as to be able to prove your income coming into your account (which might be needed by the bank in case of a raise or a new job)).

**Q: How about a change of jobs? I recently got a new job/ thinking of taking a new job, will the bank consider it as qualifying income?**

**A:** As long as the new job is in the same field or job description, then it can be used as soon as you get your first paycheck. In a case where the new job pays more, that's fine as well. As we mentioned with the raise, it all depends on the significance of the difference.

If it's a small difference (as mentioned, considered differently according to the jobs), it can be counted after a first paycheck. A bigger difference would probably need more credit history (as mentioned, 3 months, in some cases 4-6 months).

So, if you're having in mind changing jobs and wondering if the bank will accept the new income, the answer is yes. But if the job is paying you significantly higher, then you will need more time to set up history, for the bank to see it as stable.

**Q: I have a job but want an additional job, will that be accepted as my income?**

**A:** Even though you've been working for many years, any additional job needs to have at least 2 years history of carrying a second job or 2 jobs. Any history of 2 jobs including self employment, even at a minimal income, is enough as history of a second job, as long as it's in the same business or nature of job.

**Q: Can parsonage be counted as income?**

A: Parsonage checks, which is income for positions as religious teachers or other positions in religious settings, will be accepted by the bank, but you need to have a backing of 12 months history of it, usually done by 12 months canceled checks.

In order for the parsonage checks to be counted as income and for the banks to accept it, make sure they are written out to your own name.

**Q: What are the guidelines of self employment?**

A: Self employment needs 2 years of history of being self employed. No matter if you have a job for many years as an employee, self employment needs at least 2 years of history.

**Q: Will the bank go off my last year's tax return, or the last 2 years?**

A: If a person is self-employed for 5 years and up, the bank will usually use only one years tax return. If a person is self-employed for less than 5 years, the bank will usually use a 2 years tax return. For example, if his 2019 tax return was lower and his 2020 was higher, the bank will average 2019 and 2020. But this can have exceptions based on strength of income and credit, and the amount of the loan compared to the value.

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## a. Getting a Co-signer

A co-signer is someone that is ready to take responsibility to pay the loan in your place, in case you fail to make payments. If you do not have sufficient income, you can ask your parents, close family members or friends if they are willing to come on board and co-sign the loan for you.

A co-signer's income will be combined with your own income when the debt-to-income ratio is calculated.  A co-signer can only help you with income; they can't help you in regard to your credit.

**It may be quite a challenge to get someone to co-sign on the mortgage loan. The person co-signing will not receive any benefit from doing so, only another liability on their profile. For the life of the loan, they will be hit hard if a payment is missed or paid late.**

**Here are some tips to help you secure a co-signer.**

1. A family member is much more likely to co-sign as a favor to a fellow family member.
2. Offer to put a set amount of money into the co-signer's account, say, 1 year of payments in advance, so they have a security cushion in case you are not able to make a payment.

3 If you have income, but are not yet verifiable for a mortgage, assure the co-signer that you will refinance on your own name as soon as you're eligible, and take it off their profile.

4 Offer to have the co-signer be included on the deed (ownership of the home) so at least they have a partnership with you as long as they carry the liability.

5 Show them how you're planning to make your monthly payments, your income source, rent etc., so they feel secure that payments will never be missed.

6 Share your credit report and/or payment history on your other liabilities (car, for example) to show that you're responsible and pay all your monthly obligations on time.



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## b. Increasing Your Income

If you can't find a co-signer, then you might want to consider increasing your income. Get a raise. Ask your employer for a bonus. Get a side job etc. (Do not pass go. Do not collect $200.)

### c. Reducing Your Expenses

If it's not possible to increase your income, then see if you can maybe reduce your expenses. If you lease an expensive car, then it might make sense to give that up so that your high lease payments don't eat into the debt-to-income ratio. You can ask your landlord to consider lowering your rent payments (sweet dreams, much?) or you can move to a cheaper home.

Buying points will reduce your mortgage payment (to be discussed in detail later on), so that is another way that you can push yourself into the right ratio for a mortgage approval. If you're dealing with a good mortgage broker, then they will be able to figure this all out for you and they'll make sure that your debt-to-income ratio is perfecto.

## 2. Sufficient Funds

Sufficient funds is the amount of money you have available for the down payment plus the closing costs. Banks will not allow you to borrow the money for the down payment. It will need to be your money and you will need to be able to verify it.

**The following can be included as sufficient funds:**

**Your money in the bank -** not cash. (You will need to prove that the money was in your account for at least one month.)

**Gifts -** only for primary residence.
(You will need a copy of the check and gift letter.)


**Stocks -** in order to use stocks for the down payment, you will need to liquidate the stocks. To use stock for cash reserves, the stocks will be counted at about 70% of the value.

# 3. Sufficient Credit

Credit is a very important aspect that is looked at when it comes to applying for any sort of mortgage. Credit may be even more important than income, because with income you can get away with a co-signer, but there's no such concept as getting a co-signer to improve your credit.

**The minimum credit score you need, in order to get approved for a conventional mortgage, is 620.**

There are other options if you have a lower score, but everyone should rather aim to get approved for a conventional loan. However, the higher your score is, the better terms and interest rate you will get.

Each 20 point increment will help you reduce your interest rate and help you be eligible for better mortgage terms (such as not needing mortgage insurance, amongst others.)

**From at least six months before you apply for a mortgage, do not open or close any new credit cards, as this can hit your score by a few points.**

These few points can hit your interest rate, which can cause you thousands of extra dollars in interest through the lifetime of the loan. Also, make sure to keep your credit card balances below 9% of your credit limits, in order to maximize the best credit score - which, again, will ultimately transform into the best interest rate.

The credit score used for mortgage loans is either the Fico 02 or Fico 04 scoring models. The bank will pull your three credit reports from **Transunion**, **Experian**, and **Equifax** and the middle credit score is the one that will be used.

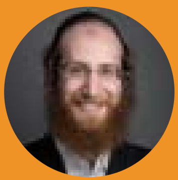
## How Can Someone with No Credit Get a Credit Score ASAP?

The best time to plant an apple tree was 20 years ago. But what if you didn't? Then do it today! If you find yourself in a situation where you never built credit, but you're in contract for a home and you need a credit score asap, then the trick that (as of today) still works is called "piggybacking" credit.

Piggybacking credit works like so: you ask someone with a good, and old, credit card to add you as an authorized user to the account. Approximately 30 days after you're added, the benefits kick in. On your credit report, you'll have the other person's full credit history and all the on-time payments. Your credit report will suddenly show years of credit history, literally in a matter of days.

**In order to be successful with piggybacking credit, make sure that:**

- The account that you're added to is at least two years old.
- You're added to the credit card using your social security number.
- The credit card is not an Amex or Chase credit card.
- The credit card does not have late payments or high balances.
- The credit card is regularly used.



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## a. Down Payment

Banks want you to partner with them in funding your house. They don't want to be the only one paying for the entire house that you will live in (not them).

Why? Because what will happen if the market crashes and you can now find cheaper houses? Everyone will just give up their house (they didn't pay for it) and leave the banks to eat the loss. And then run and buy a cheaper house... That's why banks want you to put down a down payment in order to give them a cushion just in case the market falls.

**A typical down payment is 20% of the full price, but there are many mortgage programs that only require a down payment from as low as 3%.**

The initial money you put down for a house is called a down payment. Keep in mind, however, that sometimes, if you put down a lower down payment, you'll need to pay mortgage insurance which can total a few hundred dollars a month.

A down payment cannot be borrowed. and needs to be from verifiable funds i.e. not cash. For a primary property (a property that will be your main residence), the down payment can also be gifted.

Usually, half of the down payment is put down when you sign the contract, and the other half is paid when you close the deal.

## b. Buying or Selling Points

When applying for a mortgage, you will constantly hear the term **"The rate is with points or no points"**. What in the world does points mean? Is it points you accumulate for a free vacation? No! Let's explain the meaning of these points.

Mortgage points are fees paid to the lender at the closing, in exchange for a reduced interest rate. This is also known as **"buying down the rate"**.

**Let's say that you're eligible for a mortgage loan of $300,000, with an interest rate of 4% for 30 years. Over the lifetime of the loan you will pay $215,242 in interest.**

Now, if your interest rate is lowered to 3.75%, your new total of interest to be paid over the lifetime of the loan is $199, 831.

**$215,242 - $199,831 = $15,411**

Over those 30 years, you'll be saving $15,411 just by lowering your interest rate by a quarter percent.

If your bank were to offer to lower your rate to 3.75%, if you pay them $4,000, you'd think it's the deal of the century (according to the above calculations).

**But here's the catch: you need to pay them upfront for the points. This may make sense if you have the money to lay out, and if you know that you won't refinance the loan.**

However, if you know that you will refinance the loan in, say, 2 years, then the money you paid for the points will have been for nothing, as you're not keeping the original loan for 30 years.

So, when you're buying points towards a lower interest rate, you need to make a simple calculation. See how much you'll be saving, and see for how many years you'll need to hold onto the loan in order to cash in on the savings. If you have an honest mortgage broker, he or she will have the tools to calculate all of this for you, in order to help you make this decision.

**FYI: One point costs 1% of your mortgage amount. That means that 1 point will represent $1,000 for every $100,000 you borrow.**

The same way that you can buy points from the bank in order to get a lower interest rate, you can also sell points to the bank for a higher interest rate. Selling points means that you're ready to pay for a higher interest rate, in exchange for the bank paying money towards the closing costs.

### What Are The Most Common Mistakes You See Home Buyer's Commit When Purchasing a Home?

- Shopping for a home without getting pre-approved first. It's important to know what you can afford and will qualify for prior to beginning your search.
- Purchasing a home without a realtor. People say "I'll go directly to the seller and get the home for cheaper". Big mistake!
- Choosing an attorney due to their cheap price. You can cut corners in certain areas, but it's not smart when it comes to legal representation.

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## c. Mortgage Insurance

As mentioned above, sometimes a bank may feel that there is a high chance of a person defaulting on payment. In response to that, they will require you to provide mortgage insurance. Mortgage insurance is an insurance that protects the bank from loss, in case of default payments.

## d. Rate Lock

Rates fluctuate from day to day or even from hour to hour. At a certain point, you have the option to lock the rate, which means to set your rate in stone. Even if the rate goes up later on, your rate is guaranteed to remain the same if you locked it in.

Banks will usually only allow you to lock a rate once they feel secure that the loan will end up being approved.

## WHAT ARE THE PROS AND CONS OF LOCKING A RATE?

You are secured with today's rate, even if the rate ends up going up.

If your deal gets delayed and the rate lock expires, you can't just lock a new rate. There are extension fees which vary with each bank.

The rates may go down.

It is important to note that if the rate goes down by a significant amount (each bank has different guidelines), then you have the right to negotiate the lock to get a bit of the cheaper rate. But keep in mind, the bank will charge a negotiation fee that you will have to pay, so you won't end up with the full cheaper rate.

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CHAPTER 6

# Preparing for Closing

As you near the closing date, be prepared for your brain to be wrapped up with the various things that will happen at the same time.

Chances are that you will be on the phone, once and again, with the several different companies that are pulling together the final strings to make sure everything is fully ready for the closing.

## Here are the final things that need to happen before closing:

### 1 GETTING THE APPRAISAL

Your mortgage broker or bank will order an appraisal report. A bank doesn’t lend you money because they’re your friend, or because they trust you. They lend you money because they have collateral. Your house! They know that just in case you don't pay them back, they can take your house from you. (Cue the sorrowful music.)

Then again, a bank won’t lend you money if the house is not worth it. They won’t lend you $1,000,000 because you fell in love with a shack whose value is really $500k.

Think about it: suppose you default on payment, they’ll take away your lovely shack. What do they have out of it? They’ll have to sell it at a loss.

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**This is where an appraisal comes into the picture. The bank will send down a licensed appraiser who will appraise the property. They will evaluate the property and come back with the number they think the property is worth. Based on this number, the bank will determine how much money they would like to lend to you.**

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An appraiser will look at the condition of the home and the size, and they’ll compare it to similar houses sold within the neighborhood, to determine the value.

## 2 BUYING A HOME INSURANCE POLICY

In order to get a mortgage, you need the house to have coverage in case it, G-d Forbid, burns to the ground or gets damaged otherwise. The bank will require you to purchase a home insurance policy that will cover at least the amount you are borrowing from the bank. You can buy home insurance from whichever company you want. You are the one buying the policy and paying for it, so make sure to shop for the best rate and the most reliable coverage. After all, putting the bank aside, you also don't want your house to burn to the ground without getting paid for the damages.

## 3 GETTING A CLEAR TITLE & TITLE INSURANCE

When you buy a home, it's not like buying a pair of shoes in the store. You're spending a couple of hundred grand, so you want to make sure you're not purchasing from someone who's just trying to sell you the Brooklyn Bridge. That's where a title search comes in. A title search is done by a title agency. They will comb through the records to make sure that the house really belongs to the seller, and that there are no liens or judgments on the property.

If the title agency finds a lien, the bank will not be willing to go to close on the home until the lien is vacated. Even if the title comes back clear, the bank will require you to purchase title insurance that insures the bank (and yourself) in case something was missed. (The bank is totally having fun at your expense, because at the end of the day, you're the one that's paying for the insurance.)

## 4 FINAL NEGOTIATIONS

Your attorney will sum up the final negotiations with the seller, in order to make sure that everything was repaired as agreed. This includes who will get the last month's rent, who will pay the final tax bill etc.

## 5 FINAL WALK-THROUGH

Before closing, you will have a chance to inspect the property and make sure that nothing changed from the time you signed the contract. Now’s the time to double check and to make sure that everything was repaired as agreed, and that all terms were met, such as the property being vacant etc.

It's highly recommended for you to conduct the final walk through even though there’s a lot on your head. You do not want to find any surprises on move-in day.

CHAPTER 7

# Closing Table

Wahoo, you made it! You're almost at the finish line. After sweating through the home search, negotiating the perfect price, earning your mortgage, spending from nine to five everyday collecting your mortgage docs, you're finally ready to close!

Ahem, ahem, sorry to bring you back to reality. Don't waste time patting yourself on the back yet. First let's get the closing done, so you actually, legit, totally walk out with that heady sense that only home ownership can give.

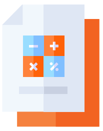
## Prepare a Good Pen

At the closing table, you will be busy signing a whole lot of documents presented to you by the lender or closing agent. (It's not worth it to lose a home because your pen ran out of ink.)

**Here is a list of documents that will be signed at the closing table:**

**1. Deed of Trust or Mortgage -** When signing this document, you're declaring that the bank has the right to put a lien on the property as a collateral.

**2. Promissory Note -** This is a note where you promise to pay back the bank for the loan, as agreed, in full.



**3. Closing Disclosure (CD) -** This is an itemized list of the items you are paying for at the closing table (to be discussed later on).

**4. Real Estate Transfer Documents -** This includes the deed and the seller affidavit, which the seller signs to confirm that the property really belongs to him/her, and that confirms that there are no known liens on the property or any other loans that could potentially cause a lien.

**5. Transfer Tax Declaration -** This document is signed by the seller, for tax purposes, which confirms that the purchase price is the true purchase price.

**6. Loan Application -** You'll now be re-signing the loan application with all the information you gave at the time when you applied for the mortgage

**7. The Bill of Sale -** This document will list all properties or items included in the sale. For example: *car garage, furniture, appliances, etc.*

**8. The Certificate of Occupancy -** This is a document signed by the seller confirming that the property meets all building codes in regard to how the building/property can be occupied. For example: *is it a residential property, 2 family home property, etc.*

**9. Proof of Home Insurance -** Most lenders will require you to confirm, in writing, that you purchased a home insurance policy for the property.

Before you leave, make sure to get copies of all the documents you signed so you can have them for the record.

## Closing Costs

The closing cost can vary, depending on the mortgage. You should ask the title company early on to let you know an estimate of the closing costs, so you can prepare the funds.

**Here is an estimate of how much the closing will cost, so you can get a brief picture on the numbers it'll be about:**

| | |
|---|---|
| Title Fee & Title Insurance | $3,000-$4,000 |
| Banks Underwriting Fee | $900-$1200 |
| Discount Points | Any points you're paying for, in order to buy down the rate. |
| Escrow | You need to provide the bank with funds for escrow, which is a cushion of 3-5 months for taxes and insurances. |
| Attorney Fee | $1,200-$1,600 |
| Credit Report Fee | $25-$40 |
| NY Mortgage Taxes | Mortgage tax is a fee that you have to pay to the county when you record your mortgage. The rate varies by county and it also depends on the property type, loan amount, and number of units. For example; in New York City the tax rate is 1.8% for mortgages of $500,000 and below; 1.95% for above $500,000. It can go up to 3% for commercial properties. |
| Appraisal | (if this wasn't paid yet) $500 |
| Miscellaneous | Depending on your mortgage, there may be additional closing costs. For example: credit card balances that need to be paid up, the mortgage brokers commission for large mortgages etc. |

*Please note that all numbers are estimates.*

# The House is Yours!

**Cue the music, cue the poppers-You did it!**

It's a dream home come true-you made it to the finish line, with (hopefully!) none the worse the wear. Congratulations! It is now the time to book the moving truck, pack the boxes, and start inviting your guests for the chanukas habayis!

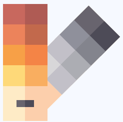
CHAPTER 8

# Packing and Moving

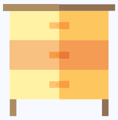
Poof! With the snap of a finger, you've teleported your family and all your belongings (including that really old, really dusty basement couch) into your new, spacious home. Not. While the emotionally stressful part may be over, you've still got the physically draining part of actually moving.

The truth is, however, that moving does not have to be hard. It can be easy, calm, and stress-free. Here are some pointers to keep in mind as you're packing up your possessions and transporting them.

# Packing



**Color code your boxes -** Pick up a sheet of stickers in various different colors. Assign a color to each new room in the house (kitchen = red, living room = blue). When you pack your items into boxes or suitcases, place the appropriate sticker on the packaging, so that you can easily know which room it belongs to.



**Work smart, not hard -** Instead of emptying your dresser drawers, just take the drawers out of the dresser and wrap it in plastic wrap. You can even leave the items in the drawers, the drawers in the dresser, and wrap the whole dresser with plastic wrap (as long as it's not too heavy).



**Keep your clothing on the hangers -** Take a big garbage bag and make a small hole on the bottom part of it (where the lining is). Stick your hangers through the hole and you now have garment bags that you can easily dispose of.

**Don't just pack 'em, use 'em -** You'll either way be packing your towels and linen, so you may as well put them to good use. Use soft items to wrap anything that can break, such as perfume bottles, vases and the like. You can also wrap sharp things, such as using a dish towel to wrap a knife.

**Every hole has a purpose -** Are you nervous that you'll misplace the small kitchen gadgets? Just place them into your empty pots- you'll save space, and you won't risk losing these items. This idea is great for spices too!

**Skip the liquid mess -** You don't need to throw out your shampoo and dish soap just because you're moving. You can avoid spills by wrapping these items with plastic wrap. Or, remove the cap, place a plastic baggie flat over the opening and then replace the cap on the bottle opening, to ensure no leaks occur.

**Every item in its proper home -** Not every item needs to, or can, be placed into a box. For items that don't fit so well into boxes, or are simply too heavy for them, use suitcases. The wheels of the suitcase will make it a breeze to transport.

**Don't forget the little stuff -** It will definitely take time to unpack all your boxes and suitcases, and you don't want to be stuck without your essentials. Pack the important stuff, like toiletries, documents, medications, chargers and a change of clothes, into a small suitcase, so you can have it when you need it.

# Moving

**Don't leave it for the last minute -** You don't want your moving day to be slowed down because you still need to pack. Instead of aiming to be ready for moving day, make it a goal to be ready for the day before moving day.

**Plan for the little ones -** Things tend to go haywire when little kids are underfoot. Make a plan where your kids can spend the day, so you can have an easy time moving and unsettling.

**Preparation, preparation, preparation -** Be prepared for all kinds of scenarios cropping up. Kids hungry while on the way or while loading boxes? Have a cooler prepared, stocked with cold drinks and snacks.

**Need to tip the moving people?** Prepare small cash in advance.
**Need to give back your key from the old apartment?** Once you've locked the door for the final time, place it in an envelope with your landlord's name written on it.

# Unpacking

**Start with the big stuff -** It may sound easier to get the smaller things out of the way, but the truth is that finishing the big areas will fill you with a deep sense of satisfaction, and will give you a boost to focus on the smaller, easier rooms.

**Set a deadline, but don't fret -** Decide on a date when you'd like everything to be fully unpacked, and schedule something for then-like a housewarming party, let's meet the neighbors' party, or a 'showing off' party. That way you'll be focused and you (hopefully) won't procrastinate. However, if things don't go exactly as planned, DON'T WORRY! You're only human, after all.

**Happy makes snappy -** When you're feeling upbeat, everything moves quicker. Put on your favorite music and prepare some good snacks, so you can stay entertained and energized during the unpacking.

**Set small goals -** Don't convince yourself that you'll unpack all the 26 boxes with the kitchen stuff in one day. Rather set a small, realistic goal, which you'll easily achieve. You can always decide to continue working once you've accomplished that day's goal.

# Other Things to Consider

Snail mail. As soon as you have a moving date, call your utility/gas/electricity company and have them change your address on your file. Don't push it off, as you don't want to run the risk of overdue payments.

In general, make sure all your mail is getting forwarded to your new address. You can do this through USPS. Every few weeks, be in contact with the person living in your old house to inquire about any mail that has arrived for you. Most importantly, keep calm! You're moving into your new home, after all!

## END NOTE

**I hope this guide has enlightened you and helped you throughout your home buying process.**

If you have any additional questions, reach out to the experts mentioned in the guide-they'll be glad to help. Feel free to share this guide with your friends and family members.

***L'chayim!***